

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

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E.O. 11652:

TAGS: BEXP, VE

SUBJECT: SIDOR PHASE IV EXPANSION

REF: A) CARACAS A-69, B) CARACAS 0343, C) ATKINS-

--- TWADDELL TELECON, 1-27-75

1. ON A NUMBER OF OCCASIONS WE HAVE BEEN IN CONTACT WITH VARIOUS FIRMS REGARDING THE OPPORTUNITIES PRESENTED IN THE SIDOR EXPANSION PROGRAM. WHEN WE FIRST LEARNED OF THE PLANS FOR PHASE IV WE HAD HOPED THAT EMBASSY WOULD GIVE US A COMPLETE APPRAISAL OF THE PROJECT, INCLUDING INFORMATION ON CONSTRUCTION TIME-TABLES, PROCUREMENT, BIDDING GUIDELINES, FINANCING,
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FOREIGN COMPETITION ETC, WHICH WOULD HAVE ENABLED US TO

EFFECTIVELY SUPPORT EMBASSY'S PROGRAM THROUGH OUR CLOSE ASSOCIATION WITH THE FIRMS INTERESTED IN THE PROJECT. UNFORTUNATELY WE NEVER RECEIVED SUCH A DOCUMENT.

2. ON RECEIPT OF REFAIR, WHICH STATES THAT THE 2.57 BILLION DOLLARS PHASE IV PROGRAM REPRESENTS SIGNIFICANT OPPORTUNITIES FOR U.S. ENGINEERING DESIGN FIRMS, WE

CONTACTED THE APPROPRIATE FIRMS TO DETERMINE THEIR

INTEREST AND TO ENCOURAGE THEM TO RESPOND. DURING THE COURSE OF OUR DISCUSSION WE LEARNED THAT SIDOR IS ALREADY NEGOTIATING WITH PRE-QUALIFIED FIRMS ON THE EIGHT MAJOR ENGINEERED PACKAGES INCLUDED IN PHASE IV (PELLET PLANT, PELLET REDUCTION FACILITY, ROD MILL, BAR MILL, SERIES OF SIX ELECTRIC FURNACES WITH SUPPORTING CONTINUOUS CASTING LINES, AND A SERIES OF FOUR ELECTRIC FURNACES WITH A SUPPORTING BILLET CASTING FACILITY). FURTHER ALTHOUGH ARTHUR G. MCKEE HAD UNDERTAKEN THE CONTRACT FOR INITIAL FEASIBILITY AND PRELIMINARY ENGINEERING ON PHASE IV THEY HAD NOT BEEN SELECTED AS PROJECT MANAGER ALTHOUGH A CONTRACT WAS TENDERED. WE ALSO UNDERSTAND THAT CURRENTLY SIDOR IS SIX MONTHS TO A YEAR BEHIND SCHEDULE, FOR REASONS WHICH ARE NOT ENTIRELY CLEAR, WHICH WILL DELAY COMPLETION OF THE FACILITY. SIDOR ACCORDING TO OUR SOURCES IS NOT EXPECTED TO SEEK FOREIGN BILATERAL FINANCING PREFERRING INSTEAD TO PAY IN CASH. TO OUR KNOWLEDGE THERE WILL BE NO FURTHER MAJOR CONTRACTS ON PHASE IV WHICH WOULD BE OF INTEREST TO ENGINEER DESIGN FIRMS.

3. WE ARE CONCERNED THAT THE USG HAS IN OUR OPINION NOT BEEN IN A POSITION TO EFFECTIVELY SUPPORT INDUSTRY ON THIS PROGRAM. PARTICULARLY WHEN, AS WE UNDERSTAND IT, THE MAJORITY OF PROCUREMENT ON PHASE III WENT TO NON-U.S. FIRMS AND THE SAME PATTERN MAY ARISE ON PHASE IV. EMBASSY SHOULD RECOGNIZE THAT FOR US TO INFLUENCE INDUSTRY REQUIRES A LONG-STANDING RELATIONSHIP BASED LIMITED OFFICIAL USE

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ON CREDIBLE PERFORMANCE. RELIABLE CURRENT INFORMATION ON WHICH WE CAN BASE THIS INFORMATION IS A PRE-REQUISITE. WE NOW RECOGNIZE THAT THE CABLES ANNOUNCING TENDERS AND PRE-QUALIFIED FIRMS FOR VARIOUS MILLS WERE PART OF PHASE IV BUT WHEN WE RECEIVED THE MESSAGES WE HAD NO INDICATION AS TO HOW THESE COMPONENTS FIT INTO THE EXPANSION PROGRAM. EMBASSY SHOULD ALSO BE AWARE THAT JUST BECAUSE A U.S. FIRM IS PRE-QUALIFIED DOES NOT

MEAN THAT OUR JOB, OF PROVIDING USG ASSISTANCE AND
SUPPORT, IS COMPLETE.

4. ACTION REQUESTED:

IN LIGHT OF THE REPAIR AND THE INFORMATION WE HAVE
DEVELOPED WE WOULD APPRECIATE STATUS REPORT ON PHASE IV
AS WELL AS AN APPRAISAL OF THE SPECIFIC OPPORTUNITIES
FOR U.S. ENGINEERING DESIGN FIRMS WHICH EMBASSY BELIEVES
CONTINUE TO EXIST ON THIS PROGRAM. KISSINGER

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